

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Economic Development Corp - City of Flint		County Genesee	
Fiscal Year End 6/30/06		Opinion Date 10/20/06		Date Audit Report Submitted to State			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

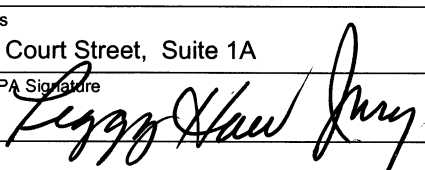
SE 2

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Plante & Moran, PLLC			Telephone Number (810) 767-5350	
Street Address 111 East Court Street, Suite 1A			City Flint	State MI
Authorizing CPA Signature 			Printed Name Peggy Haw Jury	License Number 1101009025

**Financial Report**  
**Economic Development Corporation**  
**of the City of Flint**  
**Flint, Michigan**  
**June 30, 2006**

**Economic Development Corporation  
of the City of Flint  
Year Ended June 30, 2006**

Table of Contents

	<u>Page</u>
Introductory Section:	
List of Appointed Officials	1
Financial Section:	
Independent Auditor's Report	2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Assets – Oak Business Center - Proprietary Funds	12
Statement of Revenue, Expenses, and Changes in Fund Net Assets - Proprietary Fund Type (Enterprise Fund) - Oak Business Center	13
Statement of Cash Flows - Proprietary Fund Type (Enterprise Fund) - Oak Business Center	14
Notes to the Financial Statements	15-27
Required Supplemental Information:	
Budgetary Comparison Schedule – Governmental Funds	28-29

**Economic Development Corporation  
of the City of Flint  
June 30, 2006**

**Appointed Officials**

Mayor Donald J. Williamson	President and Chairman
Mr. Lawrence Ford	Acting Chairman
Mr. Marshall Sanders	Treasurer
Ms. Jean Conyers	Secretary
Ms. Donna Dodds Hamm	
Flint City Councilman, Erhen Gonzales	
Flint City Councilman, Kerry Nelson	



Plante & Moran, PLLC

Suite 1A  
111 E. Court St.  
Flint, MI 48502  
Tel: 810.767.5350  
Fax: 810.767.8150  
plantemoran.com

*Independent Auditor's Report*

Board of Directors  
Economic Development Corporation  
of the City of Flint  
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Economic Development Corporation of the City of Flint (EDC), a component unit of the City of Flint, as of and for the year ended June 30, 2006, which collectively comprise EDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of EDC's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Flint Economic Development Corporation, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

October 20, 2006

**Economic Development Corporation  
of the City of Flint  
Management's Discussion and Analysis**

As management of the Economic Development Corporation (EDC), we offer readers of the EDC financial statements this narrative overview and analysis of the financial activities. This section of the City of Flint EDC's annual financial report presents our discussion and analysis of the EDC's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the EDC's financial statements, which follow this section.

**Financial Highlights**

- The EDC total net assets at June 30, 2006 decreased by \$119,186 to \$1,228,870 from the June 30, 2005's total net assets of \$1,348,056.
- A total of \$697,555 is restricted in the EDC for the revolving loan program which is a decrease of \$96,135 over the prior restricted balance of \$793,690.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the EDC as a whole and present a longer-term view of the EDC's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the EDC's operations in more detail than the government-wide financial statements by providing information about the EDC's most significant funds.

**Analysis of Government-wide Financial Statements**

**Summary of Condensed Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current assets	\$785,623	\$1,045,998	\$ 23,258	\$ 14,805	\$808,811	\$1,060,803
Noncurrent assets:						
Other	69,919	-	-	-	69,919	-
Capital assets	-	-	545,792	606,169	545,792	606,169
Total assets	<u>855,542</u>	<u>1,045,998</u>	<u>569,050</u>	<u>620,674</u>	<u>1,394,688</u>	<u>1,666,972</u>
Current liabilities	88,068	252,308	107,654	66,608	195,722	318,916
Long-term liabilities	-	-	-	-	-	-
Total liabilities	<u>88,068</u>	<u>252,308</u>	<u>107,654</u>	<u>66,608</u>	<u>195,722</u>	<u>318,916</u>

## Summary of Condensed Statement of Net Assets – (continued)

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net assets:						
Invested in capital assets - net of related debt	-	-	545,792	606,169	545,792	606,169
Restricted	697,555	793,690	-	-	697,555	793,690
Unrestricted (deficit)	69,919	-	(84,396)	(51,803)	(14,477)	(51,803)
Total net assets	<u>\$767,474</u>	<u>\$793,690</u>	<u>\$461,396</u>	<u>\$554,366</u>	<u>\$1,228,870</u>	<u>\$1,348,056</u>

## Summary of Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 35,062	\$ 23,691	\$ 93,680	\$ 92,960	\$ 128,742	\$ 116,651
Contributions	29,904	-	-	-	29,904	-
General revenue:						
Interest	44,820	20,466	-	-	44,820	20,466
Transfers	-	(40,329)	-	40,329	-	-
Total revenue	<u>109,786</u>	<u>3,828</u>	<u>93,680</u>	<u>133,289</u>	<u>203,466</u>	<u>137,117</u>
<b>Program expenses</b>						
Economic development	<u>136,002</u>	<u>13,774</u>	<u>186,650</u>	<u>220,251</u>	<u>322,652</u>	<u>234,025</u>
Total program expenses	<u>136,002</u>	<u>13,774</u>	<u>186,650</u>	<u>220,251</u>	<u>322,652</u>	<u>234,025</u>
<b>Change in net assets</b>	<u>(26,216)</u>	<u>(9,946)</u>	<u>(92,970)</u>	<u>(86,962)</u>	<u>(119,186)</u>	<u>(96,908)</u>
<b>Net assets – beginning of year</b>	<u>793,690</u>	<u>803,636</u>	<u>554,366</u>	<u>641,328</u>	<u>1,348,056</u>	<u>1,444,964</u>
<b>Net assets – end of year</b>	<u><b>\$767,474</b></u>	<u><b>\$793,690</b></u>	<u><b>\$461,396</b></u>	<u><b>\$554,366</b></u>	<u><b>\$1,228,870</b></u>	<u><b>\$1,348,056</b></u>

The governmental net assets decreased 3.4 percent from a year ago – decreasing from \$794 thousand to \$767 thousand. In contrast, last year's net assets decreased by only 1.2 percent. The significantly larger decline is due to the recognition of allowance for bad debts for two economic development loans that were current in fiscal year 2005.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – increased by \$69,919 for the governmental activities. This represents an increase of 100 percent. The current level of unrestricted net assets for our governmental activities stands at \$69,919, or about 51.4 percent of expenditures.

EDC's total governmental revenues, net of transfers, increased approximately \$66,349. The increase, which represents 48.3 percent, was primarily due to increased fees charged to the City of Flint for administration of the revolving loan funds, an increase in interest income, and transfers from the City of Flint.

Expenses increased by \$122,228 during the year. Increases were led by recognition of bad debt expense on loan receivables deemed uncollectible in 2006.

EDC's business-type activities consist of the Oak Business Center Fund. The Oak Business Center is a small business incubator facility which leases commercial and light industrial space to new businesses.

The net assets of business type activities decreased 16.8 percent from a year ago – decreasing from \$554 thousand to \$461 thousand. In contrast, last year's net assets decreased by only 13.6 percent.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – has been in deficit since fiscal year 2004. This deficit increased by \$32,593 during fiscal year 2006. The current level of unrestricted net assets stands at \$(84,396), or about (45.2) percent of expenditures.

During the fiscal year 2006 an employee of the City of Flint assumed management responsibility of the Oak Business Center (OBC), replacing the management company previously contracted by OBC. In addition, depreciation decreased in the current year due to the absence of a one time adjustment that was incurred in fiscal year 2005. These combined two factors resulted in lower over-all expenses in the current year.

### **EDC's Funds**

Our analysis of EDC's funds begins following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not EDC as a whole. EDC's board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. EDC's funds for 2006 include the General Fund, the State Revolving Loan Fund, and the Oak Business Center.

### **Analysis of Governmental Funds Financial Statements**

Governmental Funds, (everything but Oak Business Center), are reported in the third and fourth statements in the report, which are the Balance Sheet, and Statement of Revenue, Expenditures, and Changes in Fund Balances. As stated previously, the EDC has two governmental funds, General Operations and the State Revolving Loan Fund (RLF). The entire fund equity of \$697,555 in the State RLF is reserved for economic development activity, which is up \$14,197 from the prior year.

Revenues of \$101,839 in the Governmental Funds is an increase in revenues from the prior year of \$72,912. The key elements in the revenue increase are an increase in administrative fees of \$13,446, a \$15,481 increase in interest income, and a \$29,904 transfers from the City.

The EDC "general fund" is used to account for the day to day operations of EDC. It is used to account for all financial resources of the EDC, except those required to be accounted for in another fund. A little over \$45,000 interest and fee revenues and \$5,200 expenses were posted in this fund in FY-06; generating a \$40,000 fund balance (began the year with a 0 fund balance). Other financial transactions taking place were the utilization of \$164,240.00 cash to reduce the amount owed to the City of Flint's Public Improvement (401) fund. In addition, \$69,919.69 was used to fund the Cash shortage in the Oak Business Center fund as of 06/30/06.

The State Revolving Loan fund generated interest revenue and investment income of \$26,715 in FY-06. A little over \$12,000 of was paid to the EDC General fund as administration fees. The fund has two "fully reserved" economic development loans outstanding in the amount of \$118,279 principle and interest. No payments on either were made in FY-06. The amount available for future Economic development loans, as of 06/30/06, is \$697,555 (a \$14,197 increase from FY-05).



## **Business-type Activities**

Oak Business Center (OBC) had a loss for the year of almost \$93,000. Fixed assets declined \$60,377 and the Unrestricted net asset deficit increased by \$32,592 to a total deficit amount of \$84,396. Operating revenues of \$93,700 in FY-06 were slightly higher than FY-05 operating revenues. Expenses in FY-06 of \$186,651 were almost \$40,000 lower than FY-05. 25% of this reduction was due to the absence of a “one-time” adjustment that was posted to Depreciation expense in FY-05. Lower “bad debt” expense and insurance expenses accounted for almost half of the remaining \$30,000 reduction, with the balance of the reduction spread between supplies, maintenance and professional services. In addition to the cost reductions actually experienced in FY-06, another operational change was initiated that may further reduce expenses in FY-07. Up until May 2006 management of the facility was contracted out. In May this management was assigned to a temporary City of Flint employee assigned to DCED. The cost of management of OBC for May & June 2006, approximately \$5,500 was born by the city. Up to \$33,000 could be saved by the OBC fund in FY-07 under this arrangement. EDC is reviewing all existing lease agreements and are exploring ways to enhance operating revenues for Oak Business Center. Increasing revenue must occur for this operation to continue.

## **General Fund Budgetary Highlights**

There were no differences between the original budget and the final amended budget.

## **Capital Asset and Debt Administration**

EDC’s investment in capital assets for its business type activities as of June 30, 2006 amounts to \$545,792 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, and machinery and equipment. The total decrease in EDC’s investment in capital assets for the current fiscal year was 9.9%.

## **Economic Factors**

Besides having state authority to issue revenue bonds to provide lease contracts to commercial enterprises, its primary responsibility is to administer the revolving loan funds for the city. The city has four RLFs (City revolving loan funds 1 & 2, CDBG funded BDF revolving loan fund, and EDC’s State revolving loan fund).

The EDC made several changes to improve its administrative capacity to operate the revolving loan fund and reduce large unused pool of cash. The EDC established a loan review committee to work with staff. Staff has been hired to operate the loan programs, including a program director, a full-time loan officer, a contract compliance officer, and a loan processor to administer the loan portfolios, including tracking loans and collecting payments and ensuring compliance with federal regulations governing revolving loan funds. EDC retained legal counsel to assist in preparation and legal recording of collateral documents and to assist with loan defaults and foreclosures. These corrective actions should improve loan production during next fiscal year.

## **Contacting the EDC’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the EDC’s finances and to demonstrate the EDC’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Flint’s Finance Department, 1101 South Saginaw Street, Flint, MI 48502.

**Economic Development Corporation  
of the City of Flint  
Statement of Net Assets  
June 30, 2006**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 153,742	\$ 200	\$ 153,942
Cash held with agent	102,886	-	102,886
Investments	499,091	-	499,091
Receivables (net of allowance - \$238,123)	-	10,159	10,159
Prepaid items	-	12,899	12,899
Due from primary government	29,904	-	29,904
Internal balances	69,919	(69,919)	-
Capital assets - net			
Assets not subject to depreciation	-	93,860	93,860
Assets subject to depreciation	-	451,932	451,932
Total assets	855,542	499,131	1,354,673
<b>Liabilities</b>			
Accounts payable	-	9,502	9,502
Fire deposits payable	-	22,005	22,005
Due to primary government	88,068	-	88,068
Deposits payable	-	6,228	6,228
Total liabilities	88,068	37,735	125,803
<b>Net Assets</b>			
Invested in capital assets	-	545,792	545,792
Restricted for revolving loan program	697,555	-	697,555
Unrestricted (deficit)	69,919	(84,396)	(14,477)
Total net assets	\$ 767,474	\$ 461,396	\$ 1,228,870

See notes to financial statements.

**Economic Development Corporation  
of the City of Flint  
Statement of Activities  
Year Ended June 30, 2006**

Functions\Programs	Program Revenues			Net Expense and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<b>Primary government</b>						
Governmental activities:						
Economic development	\$ 136,002	\$ 35,062	\$ 29,904	\$ (71,036)	\$ -	\$ (71,036)
Total governmental activities	136,002	35,062	29,904	(71,036)	-	(71,036)
Business-type activities						
Economic development	186,650	93,680	-	-	(92,970)	(92,970)
Total business-type activities	186,650	93,680	-	-	(92,970)	(92,970)
Total primary government	\$ 322,652	\$ 128,742	\$ 29,904	(71,036)	(92,970)	(164,036)
General revenues:						
Interest				44,820	-	44,820
Change in net assets				(26,216)	(92,970)	(119,186)
Net assets - beginning				793,690	554,366	1,348,056
Net assets - ending				\$ 767,474	\$ 461,396	\$ 1,228,870

See notes to financial statements.

**Economic Development Corporation  
of the City of Flint  
Balance Sheet  
Governmental Funds  
June 30, 2006**

	<b>General Operations</b>	<b>Special Revenue State RLF</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 153,742	\$ <b>153,742</b>
Cash held with agent	57,964	44,922	<b>102,886</b>
Investments	200	498,891	<b>499,091</b>
Receivables:			
Contracts (net of allowance - \$102,009)	-	-	-
Accrued interest (net of allowance - \$16,270)	-	-	-
Due from other funds	69,919	-	<b>69,919</b>
Due from primary government	29,904	-	<b>29,904</b>
	<hr/>	<hr/>	<hr/>
Total assets	\$ 157,987	\$ 697,555	\$ <b>855,542</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>			
Due to primary government	\$ 88,068	\$ -	\$ <b>88,068</b>
	<hr/>	<hr/>	<hr/>
Total liabilities	88,068	-	<b>88,068</b>
	<hr/>	<hr/>	<hr/>
<b>Fund balances</b>			
Reserved:			
Non current interfund receivable	69,919	-	<b>69,919</b>
Economic development activity	-	697,555	<b>697,555</b>
Unreserved-undesignated	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	69,919	697,555	<b>767,474</b>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 157,987	\$ 697,555	\$ <b>855,542</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*See notes to financial statements.*

**Economic Development Corporation  
of the City of Flint  
Statement of Revenue, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2006**

	<b>General Operations</b>	<b>Special Revenue State RLF</b>	<b>Total</b>
<b>Revenue</b>			
Interest	\$ 10,158	\$ 26,715	\$ 36,873
Administrative fees	35,062	-	35,062
Contributions from primary government	29,904	-	29,904
	<hr/>	<hr/>	<hr/>
Total revenue	75,124	26,715	101,839
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current - economic development			
Professional services	5,200	12,130	17,330
Bank fees	-	388	388
Miscellaneous	5	-	5
	<hr/>	<hr/>	<hr/>
Total expenditures	5,205	12,518	17,723
	<hr/>	<hr/>	<hr/>
Excess of revenue over expenditures	69,919	14,197	84,116
	<hr/>	<hr/>	<hr/>
Fund balance - Beginning of year	-	683,358	683,358
	<hr/>	<hr/>	<hr/>
<b>Fund balance - End of year</b>	<b>\$ 69,919</b>	<b>\$ 697,555</b>	<b>\$ 767,474</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*See notes to financial statements.*

**Economic Development Corporation  
of the City of Flint  
Reconciliation of the Statement of Revenue,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2006**

Net change in fund balances - total governmental funds	\$ 84,116
--------------------------------------------------------	-----------

Amounts reported for governmental activities in the statement of activities are different because:

To establish allowance for loans deemed uncollectible in the current year	<u>(110,332)</u>
---------------------------------------------------------------------------	------------------

Change in net assets of governmental activities	<u><u>\$ (26,216)</u></u>
-------------------------------------------------	---------------------------

*See notes to financial statements.*

**Economic Development Corporation  
of the City of Flint  
Statement of Net Assets  
Oak Business Center - Enterprise Fund  
June 30, 2006**

**Assets**

Current assets:	
Cash and cash equivalents	\$ 200
Receivables:	
Leases (net of allowance - 2006-\$119,844)	10,159
Prepaid expenses	12,899
	<hr/>
Total current assets	23,258
Capital assets (net of accumulated depreciation)	545,792
	<hr/>
Total assets	<u>\$ 569,050</u>

**Liabilities**

Current liabilities:	
Accounts payable	9,502
Fire deposit payable	22,005
Deposits payable	6,228
Due to other funds	69,919
	<hr/>
Total current liabilities	107,654
	<hr/>

**Net Assets**

Invested in capital assets	545,792
Unrestricted (deficit)	(84,396)
	<hr/>
Total net assets	<u>\$ 461,396</u>

*See notes to financial statements.*

**Economic Development Corporation  
of the City of Flint  
Statements of Revenue, Expenses, and Changes in Net Assets  
Proprietary Fund Type (Enterprise Fund)  
Year Ended June 30, 2006**

<b>Operating revenue</b>	
Lease income	\$ 90,823
Miscellaneous income	<u>2,857</u>
Total operating revenue	<u>93,680</u>
<b>Operating expenses</b>	
Utilities	49,757
Repairs and maintenance	9,678
Telephone	3,832
Depreciation	60,377
Management contract	27,876
Insurance	26,962
Office supplies	2,558
Bad debt expense	<u>4,585</u>
Total operating expenses	<u>185,625</u>
Operating loss	<u>(91,945)</u>
<b>Nonoperating expenses</b>	
Interest expense	<u>(1,025)</u>
Change in net assets	<u>(92,970)</u>
Net assets - Beginning of year	<u>554,366</u>
<b>Net assets - End of year</b>	<u><u>\$ 461,396</u></u>

*See notes to financial statements.*



**Economic Development Corporation  
of the City of Flint  
Statement of Cash Flows  
Proprietary Fund Type (Enterprise Fund)  
June 30, 2006**

**Cash flow from operating activities:**

Receipts from customers	\$ 88,398
Miscellaneous receipts	2,857
Payments to suppliers	(135,116)
	<hr/>
Net cash used in operating activities	(43,861)
	<hr/>

**Cash flow from noncapital financing activities:**

Loans received from other funds	44,886
Interest paid	(1,025)
	<hr/>
Net cash provided by noncapital financing activities	43,861
	<hr/>

Net increase (decrease) in cash and equivalents	-
-------------------------------------------------	---

Cash and equivalents - Beginning of year	<hr/> 200
------------------------------------------	-----------

<b>Cash and equivalents - End of year</b>	<hr/> <b>\$ 200</b> <hr/>
-------------------------------------------	---------------------------

**Reconciliation of operating loss to net cash used in operating activities:**

Operating loss	\$ (91,945)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	60,377
Changes in assets and liabilities:	
Receivables, net	4,446
Prepays	(12,899)
Accounts payable	926
Deposits	(2,480)
Deferred revenue	(2,286)
	<hr/>
Net cash used in operating activities	<hr/> <b>\$ (43,861)</b> <hr/>

*See notes to financial statements.*

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**I. Summary of significant accounting policies**

The accounting policies of the Economic Development Center of the City of Flint (EDC) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies used by the EDC:

**A. Reporting entity:**

The Economic Development Corporation of the City of Flint (EDC) was incorporated on June 14, 1978, under the provision of Act 338 of the Public Acts of 1974, as amended, for the following purposes: to alleviate and prevent conditions of unemployment, to assist and retain local industries and commercial enterprises, to strengthen and revitalize the economy of the State of Michigan and particularly the City of Flint, to provide the means and methods for encouragement and assistance of industrial and commercial enterprises in locating and expanding in the State of Michigan and particularly in the City of Flint, and to encourage the relocation and expansion of commercial enterprises to more conveniently provide needed services and facilities to the commercial enterprises, to the City of Flint and residents thereof.

One means of accomplishing these purposes is through the use of lease contracts with commercial and industrial enterprises. According to the terms of the lease contracts, the EDC agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial or industrial enterprise, and the enterprise agrees to make lease payments equal to the bond principal and interest payments. The revenue bonds are payable solely from the net revenues derived from the project, and the bonds are collateralized by a mortgage on the project and the lease contract. Since each bond issued by the EDC is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the EDC, the bonds and related lease contracts have not been reflected in the financial statements of the EDC.

**Scope of reporting entity:**

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Economic Development Corporation of the City of Flint and its component units, entities for which the EDC is financially accountable. The EDC is considered a "component unit" of the City of Flint's governmental operation. As a result, governmental reporting standards require the City to include the financial activities of the EDC in the city's Annual Financial Report. The Annual Financial Report of the City of Flint is available for public inspection at City Hall.

The EDC assists the City of Flint's Department of Community Development in administering various revolving loan fund programs. However, since the EDC does not control the bank accounts of these programs, the transactions are not reported in the financial statements of the EDC, but rather in the City's financial statements.

**Brownfield Redevelopment Authority component unit:**

On July 28, 1997, the City Council of the City of Flint created the Brownfield Redevelopment Authority (Authority). The Authority was established to be under the supervision and control of a Board consisting of the board of directors of the Economic Development Corporation of the City of Flint. The Authority has the powers and duties to the full extent as provided by and in accordance with Act 381 of the Public

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**I. Summary of significant accounting policies - (continued)**

**A. Reporting entity: - (continued)**

Brownfield Redevelopment Authority component unit: - (continued)

Acts of the State of Michigan of 1996. The Authority was also responsible for creating a Brownfield plan for the Brownfield Redevelopment Zone. The duration of the plan is thirty years. The Brownfield Authority is considered a component unit of the EDC and is reported within this financial statement. The Authority has not had any financial activity since its inception.

The director of the Authority is to be a City staff person acting as agent for the Brownfield Redevelopment Authority and is covered under the City's insurance and bonding policy.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest income and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**I. Summary of significant accounting policies - (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The EDC reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

State Revolving Loan Special Revenue Fund – This special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The fund currently accounts for state revolving loan grant funds held to provide loans to small businesses.

The EDC reports the following major proprietary fund:

Oak Business Center – This fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Oak Business Center Enterprise Fund is a small business incubator facility which leases commercial and light industrial space to new businesses.

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The EDC has elected not to follow subsequent private-sector guidance issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the EDC's enterprise fund relates to charges to customers for leased space. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**I. Summary of significant accounting policies - (continued)**

**D. Assets, liabilities, and net assets or equity**

**1. Bank deposits and investments**

The EDC's cash and cash equivalents include cash on hand and demand deposits. The carrying amount of deposits is separately displayed on the financial statements as "cash and cash equivalents". Investments consist of money market funds and are stated at fair value.

**2. Cash held with agent**

The City of Flint is the acting fiscal agent for EDC. The City of Flint holds cash on behalf of the EDC for operations.

**3. Receivables and payables**

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the *fiscal* year are referred to as "advances to/from other funds" Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statement as "internal balances."

Activity between the EDC and the City of Flint that are representative of lending/borrowing arrangements outstanding at the end of the *fiscal* year are referred to as either "due to/from the primary government (City of Flint).

All trade and economic loan receivables, including those for Oak Business Center tenants, are shown net of an allowance for uncollectibles. Oak Business Center rent receivable for non-current tenants and current tenants over 90 days comprise the trade accounts receivable allowance for uncollectibles of \$119,844. Economic development loans and accrued interest receivable are shown net of an uncollectible allowance of \$118,279.

**4. Prepaid items**

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

**5. Capital assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**I. Summary of significant accounting policies - (continued)**

**D. Assets, liabilities, and net assets or equity - (continued)**

**5. Capital assets - (continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the EDC is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Building improvements	10-20
Machinery equipment	5

**6. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**E. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates; however, management believes any such difference would not be material to the financial statements taken as a whole.

**II. Stewardship, compliance, and accountability**

**Budgetary information:**

Annual budgets were adopted after the fiscal year began on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. State law requires that a budget be adopted annually prior to the beginning of the fiscal year for the general and special revenue funds. Budget appropriations lapse at year end. The original budgets were not amended during the year.

The Oak Business Center Enterprise Fund has an unrestricted net asset deficit of \$84,396 at June 30, 2006.

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**III. Detail notes on all funds**

**A. Deposits and investments**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The EDC has designated Citizens Bank and Smith Barney for the deposit of its funds. The EDC also has funds held by the City of Flint in the City's name. The EDC's deposits and investment policies are in accordance with statutory authority.

The EDC's cash and investments are subject to the below detailed risk.

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the EDC had \$53,939 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Deposits and investment at June 30, 2006, are reflected on the balance sheet of the Corporation as follows:

Cash and cash equivalents	\$153,942
Investments	<u>499,091</u>
	<u>\$653,033</u>

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**III. Detail notes on all funds - (continued)**

**B. Loans receivable - State Revolving Loan Fund**

The following is a summary of outstanding EDC State Revolving Loan Fund loans at June 30, 2006:

<u>Loan Date</u>	<u>Original Loan</u>	<u>Payments Received Prior Periods</u>	<u>Principal Payments Received 06-30-06</u>	<u>Bad Debt Allowance</u>	<u>Balance at 06-30-06</u>	<u>Terms</u>
03/11/02	\$ 52,009	\$ -	\$ -	\$ (52,009)	\$ -	8.75% - 10 years
11/03/03	50,000	-	-	(50,000)	-	7% - 2 months
Net receivables	<u>\$ 102,009</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (102,009)</u>	<u>\$ -0-</u>	

**C. Capital assets**

Capital asset activity for the EDC's business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 93,860	\$ -	\$ -	\$ 93,860
Total capital assets, not being depreciated	<u>93,860</u>	<u>-</u>	<u>-</u>	<u>93,860</u>
Capital assets, being depreciated:				
Buildings	514,782	-	-	514,782
Improvements other than buildings	686,577	-	-	686,577
Machinery and equipment	17,046	-	-	17,046
Total capital assets being depreciated	<u>1,218,405</u>	<u>-</u>	<u>-</u>	<u>1,218,405</u>
Less accumulated depreciation for:				
Buildings	418,905	25,739	-	444,644
Improvements other than buildings	270,145	34,638	-	304,783
Machinery and equipment	17,046	-	-	17,046
Total accumulated depreciation	<u>706,096</u>	<u>60,377</u>	<u>-</u>	<u>766,473</u>
Total capital assets, being depreciated, net	<u>512,309</u>	<u>(60,377)</u>	<u>-</u>	<u>451,932</u>
Proprietary activities capital assets, net	<u>\$ 606,169</u>	<u>\$ (60,377)</u>	<u>\$ -0-</u>	<u>\$ 545,792</u>

Fixed assets purchased through TIFA funds:



**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**III. Detail notes on all funds - (continued)**

**C. Capital assets - (continued)**

During the year ending June 30, 1989, the Tax Increment Finance Authority (TIFA) of the City of Flint contributed \$760,000 to the EDC to enable the EDC to purchase the Oak Business Center, a small business incubator facility. TIFA contributed an additional \$343,642 during the years ended June 30, 1991 through 2000 for capital improvements to the Oak Business Center. The EDC is managing the facility and is accounting for its operations in the Oak Business Center Enterprise Fund.

There are no capital assets used for governmental activities.

**D. Interfund receivables, payables, and transfers**

Due to/from primary government (City of Flint) and component units (EDC) at June 30, 2006 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - Public Improvement Fund	Component unit - General Fund	<u>\$ 88,068</u>

Due to/from funds within EDC at June 30, 2006 is as follows:

General Fund	Oak Business Center	<u>\$ 69,919</u>
--------------	---------------------	------------------

These balance owing from the General Fund to the Primary Government (City of Flint) resulted from the sale of land that was purchased with City money. The balance owing from the Oak Business Center to the General Fund resulted from the General Fund covering the negative cash balance in the pooled cash accounts held at the City.

There were no transfers between funds over the reporting period.

**E. Oak Business Center unrestricted net asset deficit**

Oak Business Center is currently incurring operating losses. Management has reviewed these losses and has plans to modify rental rates for fiscal year 2007 as well as receive operating contributions from the City of Flint.

**IV. Other information**

**A. Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. The EDC did not receive any grant funding in 2006, but grants expanded prior to the current year are still subject to grantor compliance monitoring. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**IV. Other information – (continued)**

**B. Risk management**

The EDC is exposed to various risks of loss to property loss, and torts. The EDC has purchased commercial insurance for tort claims and certain property damage and theft. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

**C. Contributed material and services**

The City of Flint provides administrative services to the EDC, acting as its fiscal agent.

No amounts have been reflected in the statements for contributed materials or services as no objective basis is available to measure the value of such goods and services.

**D. Related party transactions**

The Economic Development Corporation provides services to its primary government, the City of Flint. EDC provides services related to the administration of the City's revolving loan fund. In return, EDC reports administrative revenue equal to half of the interest earned on these revolving loans. The administrative fees revenue recorded was \$35,062.

**E. Lease contracts and bonds**

As of June 30, 2006, the Corporation had issued thirty-one bonding projects, as described in Note 1. Following are details of each bond issue:

Project: Parking Ramp  
Amount of issue: \$4,000,000  
Date of issue: June 1979  
Rate and terms: 8.5%; 30 years

Project: Electronics Firm  
Amount of issue: \$525,000  
Date of issue: November 26, 1980  
Rate and terms: 9 3/4% ceiling - 6% floor actual rate,  
floats at 2/3 of prime rate; 15 years

Project: Bowling Center  
Amount of issue: \$1,200,000  
Date of issue: December 1, 1980  
Rate and terms: 9%; 15 years

Project: Industrial Lift Trucks  
Amount of issue: \$900,000  
Date of issue: December 16, 1980  
Rate and terms: 9 1/4%; 20 years

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**IV. Other information – (continued)**

E. Lease contracts and bonds - (continued)

Project: Plumbing Supply Firm  
Amount of issue: \$450,000  
Date of issue: March 30, 1981  
Rate and terms: 65% of prime; 15 years

Project: Retail Mall  
Amount of issue: \$645,000  
Date of issue: May 18, 1981  
Rate and terms: 8.5%; 14 years

Project: Office Development Center  
Amount of issue: \$550,000  
Date of issue: July 7, 1981  
Rate and terms: 8.5%; 20 years

Project: Realty Office Construction  
Amount of issue: \$360,000  
Date of issue: November 20, 1981  
Rate and terms: 13%; 25 years

Project: Plumbing Supply Firm  
Amount of issue: \$100,000  
Date of issue: March 30, 1981  
Rate and terms: 65% of prime; 5 years

Project: Office Development Center  
Amount of issue: \$200,000  
Date of issue: July 7, 1981  
Rate and terms: 8.5%, 10 years

Project: Nursing Home  
Amount of issue: \$3,600,000  
Date of issue: December 1, 1982  
Rate and terms: 12 1/2%; 28 years

Project: Medical Clinic  
Amount of issue: \$550,000  
Date of issue: November 1, 1982  
Rate and terms: 11%; 20 years

Project: Investment Company  
Amount of issue: \$330,000  
Date of issue: October 1, 1983  
Rate and terms: 66 2/3% of prime; 14 years

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**IV. Other information – (continued)**

E. Lease contracts and bonds - (continued)

Project: Accounting Firm  
Amount of issue: \$230,000  
Date of issue: December 1, 1983  
Rate and terms: 75% of prime; 20 years

Project: Plumbing Supply Wholesaler  
Amount of issue: \$500,000  
Date of issue: December 12, 1983  
Rate and terms: 11%; 12 years

Project: Oil Processing  
Amount of issue: \$2,000,000  
Date of issue: December 1, 1983  
Rate and terms: 75% of prime; 14 years

Project: Manufacturing  
Amount of issue: \$5,500,000  
Date of issue: December 1, 1983  
Rate and terms: 95% of prime; 10 years

Project: Accounting Firm  
Amount of issue: \$270,000  
Date of issue: December 1, 1983  
Rate and terms: 75% of prime; 7 years

Project: Manufacturing  
Amount of issue: \$1,000,000  
Date of issue: October 1, 1984  
Rate and terms: 68% of prime; 3 years  
70% of prime; 3 years  
72% of prime; 5 years

Project: Retail and Office Development  
Amount of issue: \$900,000  
Date of issue: November 29, 1985  
Rate and terms: Greater of 85% of prime or 7%; 10 years

Project: Manufacturing  
Amount of issue: \$1,132,000  
Date of issue: July 1, 1986  
Rate and terms: 80% of prime; 20 years

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**IV. Other information – (continued)**

**E. Lease contracts and bonds - (continued)**

Project: Health Care Facilities  
Amount of issue: \$804,000  
Date of issue: December 31, 1988  
Rate and terms: 66% of (prime + 1)  
+ .3 percentage points; 20 years

Project: Health Care Facilities  
Amount of issue: \$2,100,000  
Date of issue: December 31, 1988  
Rate and terms: 66% of (prime +1)  
+ .3 percentage points; 7 years

Project: Counseling Facilities  
Amount of issue: \$1,950,000  
Date of issue: December 31, 1988  
Rate and terms: 66% of (prime + 1)  
+ .3 percentage points; 20 years

Project: Health Care Facilities  
Amount of issue: \$2,945,210  
Date of issue: August 1, 1993  
Rate and terms: 66% of prime  
+ 30 basis points, 10 years

Project: Manufacturing  
Amount of issue: \$1,975,000  
Date of issue: December 1, 1993  
Rate and terms: Variable (lower floater pricing); 15 years

Project: Educational Facility  
Amount of issue: \$7,000,000  
Date of issue: July 1, 1994  
Rate and terms: 75% of Bond Buyer Revenue  
Bond index rate; 20 years

Project: Educational Facility  
Amount of issue: \$2,500,000  
Date of issue: February 1, 1997  
Rate and terms: 75% of Bond Buyer Revenue  
Bond index rate; 20 years

Project: Manufacturing  
Amount of issue: \$2,800,000  
Date of issue: September 27, 1997  
Rate and terms: Variable; 9 years

**Economic Development Corporation  
of the City of Flint  
Notes to Financial Statements  
June 30, 2006**

**IV. Other information – (continued)**

E. Lease contracts and bonds - (continued)

Project: Manufacturing  
Amount of issue: \$7,500,000  
Date of issue: December 1, 1998  
Rate and terms: Variable

Project: Health Care Facilities  
Amount of issue: \$12,835,000  
Date of issue: August 15, 2001  
Rate and terms: Variable, \$245,000 in 2008  
balance 2022

F. EDC designation

The City of Flint has designated the EDC as the City's agent for purposes of managing, preserving, enhancing, and marketing all of the unoccupied commercial and industrial properties owned by the City so that said properties may be managed, preserved, enhanced, and marketed by the EDC for use in commercial and industrial projects.

A separate Revolving Building Fund is to be established to be used to account for the funds raised by the sale of any such properties. No sales or property resulting in proceeds to the EDC have occurred since the designation. Since the fund is inactive, it has not been reported in the financial statements.

## **Required Supplemental Information**

**Economic Development Corporation  
of the City of Flint  
Budgetary Comparison Schedule - Governmental Funds  
Year Ended June 30, 2006**

	<b>General Operations</b>			
	<b>Budget</b>			<b>Variance with Amended Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenue</b>	\$ 20,000	\$ 20,000	\$ 75,124	\$ 55,124
<b>Expenditures</b>				
Current - economic development	9,200	9,200	5,205	3,995
<b>Excess of Revenue Over (Under) Expenditures</b>	10,800	10,800	69,919	59,119
<b>Other financing sources (uses)</b>				
Transfers in	21,000	21,000	-	(21,000)
Transfers out	(31,800)	(31,800)	-	31,800
Total other financing sources (uses)	(10,800)	(10,800)	-	10,800
Net change in fund balance	-	-	69,919	69,919
Fund balance - beginning of year	-	-	-	-
<b>Fund balance - end of year</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ 69,919</b>	<b>\$ 69,919</b>



**Special Revenue - State RLF**

<b>Budget</b>		<b>Actual</b>	<b>Variance with Amended Budget</b>
<b>Original</b>	<b>Final</b>		
\$ 15,700	\$ 15,700	\$ 26,715	\$ 11,015
682,484	682,484	12,518	669,966
(666,784)	(666,784)	14,197	\$ 680,981
672,534	672,534	-	672,534
(5,750)	(5,750)	-	5,750
666,784	666,784	-	(666,784)
-	-	14,197	14,197
683,358	683,358	683,358	-
\$ 683,358	\$ 683,358	\$ 697,555	\$ 14,197



**Plante & Moran, PLLC**

Suite 1A  
111 E. Court St.  
Flint, MI 48502  
Tel: 810.767.5350  
Fax: 810.767.8150  
plantemoran.com

October 20, 2005

Board of Directors  
Economic Development Corporation of the City of Flint  
Flint, Michigan

Board of Directors,

We recently completed our audit of the basic financial statements of Economic Development Corporation of the City of Flint for the year ended June 30, 2006. As a result of our audit, we have the following suggestions for improvements for your review and consideration.

#### **Use of EDC Property by the City Police Department**

It has come to our attention that the City of Flint is using EDC owned property to operate a police impound lot. As of year end, no formal agreement has been entered into with the City to establish rental fees or a lease term for the use of the property or to document the responsibilities of each party in the use of this property. The lack of a contractual agreement regarding the use of the property could subject the EDC to claims arising from the operations of the impound lot, whether initiated by the City or by members of the public who visit the property.

We would recommend that a formal agreement be drafted as soon as possible to properly document the responsibilities of each party in the use of this property. Any decision to not charge a rental fee to the City should be a formal resolution by the Board of Directors.

#### **Use of City Employees**

During 2006, the City engaged a full time manager for the Oak Business Center, filling a role previously handled by a professional management company. The fees associated with the previous management company contract were charged as a direct operating expense to the Oak Business Center. However, the new manager is an employee of the City of Flint with the City paying all the wages and benefits of the manager and not charging the EDC back for any of this person's cost.

The Board needs to understand the total operating costs of the rental facility in order to make appropriate management decisions. By not charging all of the operating costs to the EDC, the true cash flows of the rental facility are not known, and the decision making capability of the board is impaired. To fully capture all of the expenses of operating the Oak Business Center, we would recommend that the costs of this position be charged as an expense to the rental facility. If the City wishes to subsidize the manager position, then an appropriate transfer from the City can be made to properly reflect the City's contribution to the operation of the facility.

A member of



A worldwide association of independent accounting firms

### **Budget Adoption**

We noted that the 2006 budget was adopted by the Board subsequent to the start of the fiscal year. The budget should be adopted prior to first day of the applicable fiscal year to be in compliance with State law. We did note that 2007 fiscal year budgeted was adopted by the Board prior to the start of the 2007 fiscal year.

### **Reporting to the Board**

During our review of the minutes, we could not locate any references that the Board was presented with any interim financial information, such as operating results to date or a budget to actual analysis. To ensure that the Board is aware of the operating results and financial status of the various funds, we would recommend that the Board receive budget to actual reports on at least a quarterly basis for each fund. Such reports would also allow the board to properly amend the budget when it appears that expenditures will exceed the originally budgeted amount.

### **Tenant Accounts Receivable Procedures**

Many former tenant accounts receivable for Oak Business Center are many years old. If there is no current attempt to collect these receivables (which are currently 100% reserved for uncollectibility), we suggest these balances should be written of against the reserve and be removed from the aging report.

We would like to thank the Economic Development Corporation of the City of Flint personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

**PLANTE & MORAN, PLLC**



Peggy Haw Jury, CPA, CFE